

NEWSLETTER

INTERNATIONAL

 ENGLISH VERSION



THE GULF REGION – A PARADISE FOR EXPATRIATES?



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EXECUTIVE SEARCH IN THE GULF REGION



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The countries of the Arabian Peninsula have been attractive investment and consumer goods markets for decades. The drivers are the constant need for investments into the oil extraction and processing plants, large infrastructure projects, and the high purchasing power of the population.

In 2015, Saudi Arabia ranked at the 12th place of the most important EU foreign trade partners, and the United Arab Emirates (UAE) - at the 13th place.

The UAE, and particularly Dubai serve as a hub, from where the companies may work in neighboring countries and regions such as North Africa or Iran.

Due to the different cultural, legal and economic environments, executive search has its peculiarities in each country of the Gulf Region.

UNITED ARAB EMIRATES

The UAE are the most international country of the region - Dubai and Abu Dhabi have become international melting pots, where people from all over the world live and work. Foreigners make 87 percent of the population, many of them come from South Asia - India, Bangladesh and Pakistan. Russians and Western Europeans are other numerous groups; the latter consists mostly of British and French people.



United Arab Emirates

It is striking that Emiratis quite seldom occupy the executive positions in international enterprises - particularly, due to the lack of competent local candidates.

Therefore, enterprises willing to recruit usually have to search for candidates either among the foreigners living in the country or to bring a foreigner into the UAE. A range of employment and immigration issues need to be taken into account in the course of both changing a position and invitation of a foreign specialist from abroad (see below).

Apart from this, the UAE executive market may be described as follows:

1. The UAE have the largest pool of well-qualified executives in the region - mostly these are foreigners. Many positions may be assigned with candidates who already live in the country.
2. Large UAE cities are considered attractive locations for potential expatriates. Alongside with the hot climate, high level of personal safety and a very international environment with a lot of leisure opportunities, the country has very attractive tax legislation. Both local and foreign employees do not pay any income tax.
3. The UAE are well-equipped to accommodate expatriates. There are high-quality housing (which may be costly) and top-class shopping opportunities, as well as a wide range of international schools and universities.
4. The candidate pool is especially large in sales and marketing, as well as in the field of administration such as finance and HR. However, due to relatively low number of international production plants in the UAE it is more complicated to find manufacturing specialists locally. Company shall either search globally or second their in-house experts.

In terms of staff recruitment and retention, the UAE are the least problematical country of the Gulf Region.

QATAR

Qatar, whose welfare is mostly based on the revenues from natural gas, also strongly relies on foreigners - over 80 percent of the population holds foreign citizenships. South Asians constitute the largest population group.

Europeans and Australians usually occupy high-qualified positions and mostly work for international enterprises. However, local companies and the education sector also employ foreign specialists and executives. The Qatar Investment Authority and the Qatar Foundation implement the Government's commitment to building a knowledge-based economy and to reduce the dependence on oil and gas.



Qatar

However, the Qatari HR market poses several challenges to employers:

1. International enterprises will have issues with covering their HR demand from the pool of graduates of the 16 Qatari universities. There is practically no unemployment in Qatar.
2. For expatriates, changing employers is difficult due to legal regulations (see below), which makes the labor market rather inflexible.
3. Companies are thus often forced to recruit required talent abroad. The aspects associated with relocation to Qatar (accommodation, kindergarten/schooling, etc.) result in higher costs for the companies and complicated candidate negotiations.
4. Qatar has to cope with a negative global image created by mass media - preparation for the World Cup 2022 has probably strengthened the trend. Therefore, Doha is less popular among (potential) expatriates than Dubai. However, these concerns are only partially justified - though the legislation is more rigid than in the UAE, foreigners face less restrictions in the everyday life than it is widely

anticipated. Recruiting companies shall therefore provide for the opportunity of an "introductory visit" to prospective candidates - some concerns evaporate once they see everything with their own eyes.

SAUDI ARABIA

With the population of almost 30 million, Saudi Arabia is by far the most populous country of the Arabian Peninsula. Presently, the Saudi economics and labor market face a lot of troubles amid the reduced prices for oil.

The Saudi Ministry of Labor and Social Development has named five "challenges" of the current labor market. These include the lack of competitiveness in the private sector, the dependence on foreign employees, the youth unemployment rate of over 30 percent, the low female employment rate, and mismatching offer and demand on the labor market.

Steady influx of foreign employees is anticipated with more and more critics in the light of the unemployment rate of 11.5 percent among the Saudi population, and the Government has introduced regulations that make employment of foreigners much more complicated (see below). Nowadays, the share of foreigners in the total population amounts approximately to 30 percent.

Such situation presents several challenges for companies willing to recruit:

1. The educational system currently produces not enough local specialists and executives, who are suitable for work for an international enterprise.
2. Foreigners employed in Saudi Arabia are bound to their employers and face difficulties with changing a job. Thus, the local labor market is undynamic and slowly adapts to changing needs.
3. At the same time, employment of expatriates is associated with significant bureaucratic expenditures because of restrictive legislation.
4. Recruitment is also hampered by the extremely negative country image in the eyes of prospective candidates, mostly from "Western" countries. The rules for clothing and movement of women, the prohibition of alcohol, and omnipresence of religious rules of conduct put off foreigners.

Therefore, executive search for Saudi Arabia is generally more challenging than for the other countries of the Arabian Peninsula. The below advice may be useful for companies seeking to recruit:

1. HR planning should start with a thorough consultation with a labor lawyer on the current immigration and employment regulations.
2. In addition to salary and bonus, the budgeting of the position should also take into account the considerable accompanying expenses for expatriates: relocation, housing, car (possibly with driver), possibly school or kindergarden reimbursements.
3. An executive search for Saudi Arabia should target both the local and international markets at the same time. Potential candidates will be most likely to be



Saudi Arabia

found in the neighboring Gulf States. For the reasons mentioned above, managers with no prior experience in the Arab region will usually not be willing to move to Saudi Arabia.

CT Executive Search supports companies in executive recruitment for the Gulf Region. Our partner MENA Legal provides consulting in the field of labor and immigration law, as well as in general issues of corporate/commercial legislation.

ANALYSIS

LEGAL REGULATIONS FOR EXPATRIATES

UAE

Labor law in the United Arab Emirates is governed by Federal Law No. 8 of 1980, as amended (the "UAE Labor Law"). With the exception of certain categories as listed in Article 3 of the UAE Labor Law (such as, for example, official and employees working for the Federal Government, members of armed forces, police and security, housemaids and certain employees working in the agricultural sector), the UAE Labor Law is applicable to all other employees working in the UAE. This is true regardless of whether the particular employee is a UAE or foreign national.

In order to employ a foreign national in the UAE, an application must be made through the immigration department, which includes the submission of certain documents which are requested from the employee (such as that employee's diploma certificate, which must be translated, notarized, attested and legalized). Once the application has been accepted and a medical examination completed, employment can officially commence.

The employment contract shall specify among other parts: (i) the date of conclusion; (ii) the date of commencement of work; (iii) the nature and the place of the work; (iv) the duration of the contract (if it is for a limited period); and, (v) the amount of remuneration. There is no minimum salary in the UAE; however, in practice, employees are granted a basic salary along with several allowances such for items such as: housing, cars, food or annual flights. Furthermore, the employer generally provides each employee with health insurance coverage.

Depending on the position and the company, it is common that the parties to an employment contract sign, additionally to the registered employment contract (which is a template provided by the Ministry of Labor or related Free Zone Authority), an internal, more comprehensive, contract which will specify in detail the obligations of each party.

In case an offer letter has been issued prior to the employment, the terms of the employment contract shall be based on the terms within the offer letter unless it further benefits the employee.



UAE



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There is no income tax in the UAE, however some hidden taxes apply such as rental tax with an amount varying in each Emirate.

Contracts can be terminated for a number of reasons in the UAE, the most common being the term on the contract coming to an end (limited contract). Should the contract be unlimited, the contract can be terminated upon agreement of both parties or for a valid reason by minimum of 30 days' notice from either party. A termination for cause, limited to certain cases, which are listed and defined within Article 120 of UAE Labor Law, don't require a termination notice. Also, during the probation period which can be up to maximum 6 months, either party can terminate the contract without notice.

After the completion of a year of continuous service with an employer, the employee is entitled to end of service gratuity at the termination of his/her contract. The calculation will take into consideration the basic salary excluding any allowances of the amount last due. The calculation will vary depending if the employee has been terminated or if he or she resigned.

Should an expatriate wish to change jobs, they should ensure the completion of at least 6 months with the current company to avoid any potential complications with Ministry of Labor. Depending on the terms of his/her employment contract with the current company, an expatriate can change jobs and have the status of his/her visa changed over onto the new company sponsorship. Some employees, can be limited by a non-competition clause which shall be agreed upon by the parties and will be limited in time, space and in the nature of the business to be considered as valid before Court. Should there be any difficulties with leaving a company, complaints can be logged with the Ministry of Labor for investigation and legal advice should be taken.

Finally, some considerations to be taken when an employee decides to leave the UAE, here below are some examples:

1. Cars will need to be shipped or sold prior to departure. Any existing car loans will need to be settled in full with the bank, to avoid hefty interest and fines.
2. Leased accommodation will require notice to the owner of intention to leave the property. This may involve a penalty payment for leaving the lease early.
3. Utilities will need to be cancelled and outstanding bills settled prior to leaving the country.
4. Employment visas will need to be cancelled with an employer. Attempting to leave the country without cancelling a visa could result in being listed in the UAE as an absconder.
5. Debts due to credit cards and loans will need to be settled in full prior to departure. Debt is a criminal offence in the UAE and could result in jail time, if not settled within a reasonable time.



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MENA LEGAL represents an international network of consulting firms and professionals, which provide a wide range of services on a ONE STOP SHOP basis to international corporations, small and medium size companies and individuals.

QATAR

Employment relationships in Qatar are principally governed by the provisions of Law no.14 of 2004 Regulating Employment, as amended. The last amendments in date (Law no.1 and 21 of 2015) clarifies the compensation and enforcement of due wages and details the regulations on the Entry, Exit and Residency of Foreign nationals (Qatar Labor Law).

Qatar Labor Law ratifies the minimum standard of rights and benefits for employees to which employers must adhere, as well as the obligations of employees working in Qatar.

Employment contracts can range from a limited period to an unlimited one with a maximum term duration of no more than 5 years.

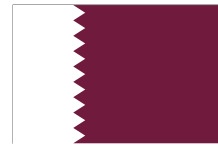
In the same line as its neighbors, Qatar, in a strategic aim to promote the hiring of Qataris in both the public and the private sectors, introduced the Qatarisation where preference in employment to suitably qualified Qataris is made. Non-Qatari workers will only receive work permits if they have a residency permit and there is no suitably qualified Qatari worker available to carry out the work.

There is currently no system of personal income tax applicable to earnings in Qatar however, expatriates should be aware of the tax implications of his/her home country.

An employee can terminate the employment contract prior to its expiry date, if the contract is of a definite duration, without giving reason for termination of contract. However, if the contract is of an indefinite duration, the employee can obtain end of service gratuity. The employer, on expiry of the service contract, will have to provide the employee with a service certificate indicating: (i) his date of employment; (ii) type of work he performs; and (iii) the amount of wage he was receiving. The employer should also return to the employee any documents and certificates which were submitted. On termination of the service of the employee, the employer is liable to bear the cost of return to their home country.

If an employee decides to change jobs in Qatar, a 'No Objection Certificate' would be required from his/her current sponsor. However, this option is only available for expatriates who have resided in Qatar for a minimum of 2 years. Once Law No. 21 of 2015 enters into force on 14 December 2016, employees who have completed their limited contracts will be able to change jobs without approval from their previous employer. Additionally, employees will be able to change jobs before their expiry of a limited employment contract end with the consent of Ministry of Labor. Employees who are employed with an unlimited contract have the ability to seek this approval after they have been at their current job for five years.

An expatriate wishing to leave Qatar, would need to complete a visa cancellation form which is signed by his/her sponsor and submitted to the Ministry of Interior.



Qatar

All bank accounts, credit card and loans need to be closed out, along with providing notice to an employer and landlord. Non-payment of debts in Qatar is a criminal offence and could result in potential difficulties with the authorities, should a resident attempt to leave the country without prior settlement. Bank clearance letters should be obtained when closing accounts, for confirmation.

SAUDI ARABIA

For a foreigner seeking work in the Kingdom of Saudi Arabia (KSA), you are unable to secure a work permit unless you have a concrete employment offer. Foreigners cannot apply for a permit themselves; their sponsor must apply for one on their behalf. Every foreigner has a sponsor who acts both as a guardian and a guarantor during their time working. The function of a sponsor can be held by individuals, companies or institutions, such as your chamber of commerce in KSA, or a business associate.

With both the wishes to develop the attractiveness of foreign businesses in KSA and to increase protection and rights of the employees, especially national employees, the Saudi Arabian Labor and Workmen's Law has been amended in March 2015, which came into effect on 18th October 2015 (Saudi Labor Law).

The main amendments benefit employees as follows:

1. While a written employment contract was not mandatory in the past, it is now required that the parties agree on all terms within a written contract and the template form provided by the Ministry of Labor shall be followed.
2. The probation period of 90 days can be renewed for the same period, but only once.
3. Training of Saudi nationals in companies of more than 50 employees has been increased to 12%.
4. The termination notice has been extended to 2 months for employees who are paid on a monthly basis.
5. If the employer wishes to transfer the employee to another location, he shall obtain his written approval, unless it is for a temporary relocation up to 30 days.
6. Implementation of a wage protection system, which secures payment of salaries on time.
7. A limited contract renewed 3 times or upon the employee accruing 4 years of continuous service whichever comes first, the employment contract shall be re-qualified as an unlimited contract.

The termination of employment contract is quite regulated and shall be for a valid reason. Employees are entitled to receive an end of service gratuity equal to minimum 2 months' salary. Legal advice may be taken to guarantee the implementation of both parties' rights.



Saudi Arabia

Despite a movement to promote foreign businesses, the Saudi Government is working on several Saudisation projects which shall contribute to the hiring of nationals rather than foreigners, who usually are more expensive to employ. Those Saudisation measures which have been already implemented in some sectors, have led to a considerable departure of expatriates.

When it comes to changing jobs, as a general rule, expatriates cannot do this without consent of their current sponsor. Should a new job offer be received, the new sponsor can send a demand letter to the current sponsor, requesting the transfer of sponsorship. The demand letter should be authorized by the Chamber of Commerce. The current sponsor should then respond to the letter with their consent, for the transfer of sponsorship for new employment.

Should an expatriate wish to leave KSA, the first step would be to provide their employer and landlord with notice of their intention to leave. Closure of any bank accounts and payment of loans is a must, even if you have an unused credit card – this must be cancelled.

Another requirement is a Police Clearance certificate which must be obtained prior to departure from KSA. This certificate must be shown at immigration along with the stamped Final Exit Visa.



EXECUTIVE SEARCH

EXECUTIVE SEARCH EXPERTS IN ASIA, RUSSIA & CIS

CT Executive Search assists international companies in recruitment for key positions in middle and senior management. We set ourselves apart through a clear focus on the economic area of Asia, Russia and the other countries of the former Soviet Union, and on sectors in which our consultants feel perfectly at home due to many years of experience.

Via structured and documented searches processes, our consultants ensure access to the best candidates on the market. They are experts in cross-border recruitment processes and familiar with the characteristics that candidates require in order to work successfully in multinational companies.

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